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## Canada

### Agricultural Situation

### This Week in Canadian Agriculture, Issue 6 2007

**Approved by:**

Lisa Anderson  
U.S. Embassy

**Prepared by:**

Darlene Dessureault and George Myles

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**Report Highlights:**

Crop Revenues Boost Farm Cash Receipts to New Record in 2006 \* Livestock Receipts and Program Payments Both Lower \* Pork Exports Slip for the First Time in Ten Years; Domestic Pork Consumption Falls Sharply \* Rail Strike Over but CN Now Faced with Level-Of-Service Complaint \* Hershey, Saputo Announce Plant Closures \* Ontario's Export Milk Shippers Denied Appeal \* Legitimacy of the Federal Plebiscite on Barley Questioned

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1]  
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**DETAILS OF 9<sup>TH</sup> BSE CASE RELEASED:** Canadian Food Inspection Agency investigators have revealed that the bull that tested positive as Canada's 9<sup>th</sup> BSE case in early February 2007 was 6 ½ years old (born in 2000). The animal's age estimate was based on dental analysis, DNA testing and information provided by the Alberta producer. The animal was born and raised on the farm where it died. The CFIA said it has directed the necessary resources toward the tracing of cattle that may have been exposed to the same feed as the affected animal during the early part of their lives. The CFIA investigation also includes a thorough examination of the formulation, production, transportation and storage of a number of feed sources used on the birth farm at the time. According to the CFIA, Canada's enhanced feed ban, which comes into effect on July 12, 2007, should eliminate BSE from the cattle herd within approximately 10 years and it expects the periodic detection of a limited number of cases to decline.

**CROP REVENUES BOOST FARM CASH RECEIPTS TO NEW RECORD IN 2006; LIVESTOCK RECEIPTS AND PROGRAM PAYMENTS BOTH LOWER:** Total Canadian farm cash receipts (crop and livestock revenues plus government program payments) reached C\$37.0 billion in 2006, marginally higher than in 2005 and, according to Statistics Canada, a new record. The 2006 total was 2.6% above the five-year average. Breaking down the C\$37.0 billion, livestock producers received C\$17.9 billion, crop producers received \$14.5 billion, and program payments totaled \$4.5 billion. Crop receipts reached a new record reflecting higher deliveries and increased grain and oilseed prices and were up 7.9% from 2005 and 4.6% above the previous five-year average. In contrast, total livestock receipts fell 2.5% from a year earlier as higher cattle and calf receipts were more than offset by a significant drop in hog revenues. Program payments at C\$4.5 billion in 2006 were down 8.3% from the record set in 2005 when the Farm Income Payment and BSE-related programs were winding down. Despite the decline, program payments were 3.7% above the previous five-year average, and well above the average of the previous 10 years (1996 to 2005).

**PORK EXPORTS SLIP FOR THE FIRST TIME IN TEN YEARS; DOMESTIC PORK CONSUMPTION FALLS SHARPLY:** After more than ten years of consecutive annual increases, Canadian pork exports during 2006 fell fractionally from the year earlier level. On a carcass weight basis, Canadian pork exports reached an estimated 1,080,000 metric tons during 2006, 0.4% below the 2005 level of 1,084,000 metric tons. During 2006, significant increases of Canadian pork exports to Russia, South Korea and Romania failed to offset moderate export declines to the United States and to Japan. For 2007, a decline in Canadian hog numbers and prospects for increased live hog exports to the United States point to lower pork exports, possibly in the neighborhood of 2 -3% lower than the 2006 level. After peaking in 2001 at 28.94 kilograms per capita, Canadian pork consumption has declined annually with the exception of 2004. Canadian per capita pork consumption during 2006 is estimated at about 22.25 kg. This would represent a decline of almost 25% in the five years ending 2006. Some of the factors behind declining pork consumption include 1) Strong retail prices during a period when BSE-related issues boosted Canadian beef supplies, 2) Steady to increasing Canadian exports of pork and; 3) pork's inability to capitalize on foodservice market gains shared by other meats and fish. For more information please refer to the Livestock Semi-Annual CA7010.

**RAIL STRIKE OVER BUT CN NOW FACED WITH LEVEL-OF-SERVICE-COMPLAINT:** The threat of back-to-work legislation, in the form of Bill C -46 (an Act to provide for the resumption and continuation of railway operations), brought an end to the 14-day strike by employees of the Canadian National (CN) Railway. Problems for CN, however did not end there. On March 8<sup>th</sup>, Great Northern Grain (GNG), an inland grain terminal in Nampa Alberta, filed a major level-of-service complaint against CN rail. The action, filed with the Canadian Transportation Agency, is supported by 10 grain-industry corporations, including the Canadian Wheat Board, who are seeking intervener status in the case. The reason for the

action is a change made to CN's advance-product program that now only offers blocks of 100 cars (it was previously set at 50) to be booked for one destination for 42 consecutive weeks to secure supply. GNG argues that while this may be reasonable for large grain operators, such a policy change discriminates against small companies and single point shippers. The transportation of grain in Canada has suffered serious delays in recent months. While bad weather and the railway strike had caused much disruption and backlogs in the agri-food and agriculture sectors this winter, dissatisfaction with grain railway service is not new. Delays are costly to rail customers and the lack of accountability from the railways has been a long-standing issue for many stakeholders. A multi-commodity group of rail shippers have been pressing the federal government and Transport Canada for legislative changes that would implement solutions to force rail operators to deliver better service. The Canadian Transportation Agency is investigating the complaint and will render a determination within 120 days. More information can be found at the following website:  
[www.cwb.ca/public/en/newsroom/releases/pdf/los.pdf](http://www.cwb.ca/public/en/newsroom/releases/pdf/los.pdf)

**HERSHEY, SAPUTO ANNOUNCE PLANT CLOSURES:** Despite rallies in front of the chocolate plant, unions trying to rework the collective agreements, and politicians seeking meetings to see if anything might be done to keep the Hershey in Smith Falls located just South of Ottawa, Hershey will be going ahead with plans to phase out and eventually close operations. Operations will eventually be moving to Mexico as part of Hershey's global restructuring plan. The plant has been in Smith Falls for 44 years and employs 500 people in the town of 9,000. In addition to the resulting .05 percent decrease in the current milk quota for Ontario dairy farmers, it will mean the loss of the tourist attraction the plant provides. Despite the media attention on the impact this will have for Ontario dairy farmers, the price of milk is not the reason that the plant is moving. Hershey currently is purchasing milk at a negotiated price approximately half the normal value to compete with international prices. Hershey, because of its desire to maintain its reputation as a good corporate citizen, is actually behind many of its competitors in making such a move. The differences in labour costs between Canada and Mexico are significant. Saputo has also announced plant closures. Saputo plans to close two of its Canadian dairy division plants, one in Vancouver, British Columbia (closure slated for March 31, 2007) and one in Boucherville, Quebec (closure slated for June 2). The company stated its reasons for the closures arose from the need to increase operational efficiencies in its other Canadian facilities and stated that some of the 144 workers affected will be offered transfers to other facilities.

**ONTARIO'S EXPORT MILK SHIPPERS DENIED APPEAL:** The Supreme Court of Canada, on February 22<sup>nd</sup> published its decision to deny a group of non-quota holding dairy farmers (Georgian Bay Milk Company) their appeal of Ontario's Minister decision ordering the export milk shippers to purchase quota or cease production. The export shippers appealed the decision on constitutional grounds stating that dairy exports are under federal jurisdiction and therefore the province did not have the authority to deal with them. The export milk shippers have long held the view that they are not subject to a WTO Panel ruling preventing Canada from exporting dairy products found to be subsidized since the ruling was not explicit as to whether or not it applied to non-quota producers.

**LEGITIMACY OF THE FEDERAL PLEBISCITE ON BARLEY QUESTIONED:** The federal barley plebiscite has plagued by criticisms of an unbalanced question, accusations of lack of confidentiality, and people having been sent multiple ballots. Critics raised questions regarding the identifier numbers on the ballots and the voter eligibility sheet the producer must sign and mail back in order to be eligible to vote. Liberal Leader, Stephen Dion, has criticized the plebiscite process both for both its imbalanced question structure and the possibility of using the "identifier numbers" to trace back a specific vote to a specific producer. KPMG, the firm hired to run the federal barley plebiscite, issued a statement on February 23<sup>rd</sup> stating that the purpose of the identifier number is simply to be able to ensure that only eligible producers' votes are tallied and that the declarations and ballots would be destroyed by KPMG after the results have been determined. Minister of Agriculture Chuck Strahl's office also issued a statement on February 23<sup>rd</sup> assuring producers that the barley vote is a secret vote and accusing the plebiscite critics of using scare tactics to try to dissuade producers from voting. The press release sent out by KPMG can be found at: [www.2007barleyvote.ca/NewsReleases.aspx](http://www.2007barleyvote.ca/NewsReleases.aspx). More recently reports of producers receiving multiple ballots addressed to a same individual but with different identification numbers have surfaced. An official with KPMG is reported to have stated that there are multiple reasons why a single producer may receive multiple ballots due to the mail out being based on a mix of

databases. A producer who used a slightly different mailing address or name for different programs could register as two distinct people and this would result in duplicate ballots. Also a producer being involved in a number of farming entities could receive numerous ballots. The firm believes that the declaration of eligibility and an individual's honesty will maintain the integrity of the vote. On March 7<sup>th</sup>, Minister Strahl's office once again sent out a press release stating that the vote is a legitimate attempt to consult with farmers and that the question is fair and unambiguous. The voting period closes on March 13, 2007, the final postmark date for return of self-declaration/ballots.

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